

Testimony Submitted to the Appropriations Committee:

H.B. No. 7027 AN ACT CONCERNING THE STATE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2019.

Submitted By: Barry Simon, President & CEO

February 23, 2017

Good afternoon Senator Osten, Senator Formica, Representative Walker, Representative Ziobron and distinguished members of the Appropriations Committee, my name is Barry Simon and I am the President of Oak Hill. Oak Hill has been providing services for 124 years, and is a leader in providing the highest quality community-based programs; through education, assistive technology, programs and advocacy, we support people at every stage of life. Oak Hill, has over 20 distinct programs; 152 program sites, classrooms, and homes located in 77 towns. Oak Hill employs over 1,700 professionals to successfully help meet the changing needs of close to 40,000 people with disabilities each year. What is obvious to me as I visit the various programs and meeting participants and staff, is that Oak Hill does set the standard in providing education and lifelong learning opportunities to enhance independence and quality of life for people with disabilities. We are among the 400+ member agencies of the Alliance, the voice of Community Nonprofits. Yet, as Connecticut's largest POS provider of services for the disabled, it is very difficult to do business in CT with 10 years of either no net increases or actual decreases in our rates. I am here today on behalf of those we serve, my incredible staff (a large part of which are 1199 union staff) and hundreds of thousands of individuals served by the community provider system. I am not here to pit one part of the system against another, I am here to ask you to do the right thing at the right time; the people we serve matter, the people on wait lists for services matter, and the people we employ matter!

I am here to comment on House Bill 7027: An Act Making Adjustments to State Expenditures for The Fiscal Year Ending June 30, 2019. Every year, more than half a million individuals depend on life-sustaining services provided by Connecticut's community nonprofits. As we face a \$1.7 billion shortfall in the FY18 budget, the governor and legislature have two choices to balance the budget: shift services into the community to save services and move thousands of individuals off of waiting lists, or continue with business as usual and cut vital services to thousands of the state's most vulnerable individuals and their families. Cost-effective, high quality services provided in the community can be part of the solution to the state's budgeting problems, through the shifting of state-provided services to the nonprofit sector.

We understand that this is a lean budget, but in difficult and uncertain economic times, families and individuals need the services of community providers more than ever. The true fix is with a long term solution for funding any services state or private. And just to be sure you maintain perspective; the last time we received an increase to our rates that was not rescinded, minimum wage was \$7.65/hr and, with the proposed budget, there would be no increases in 12 years. Programs have closed in the last few years and will continue to do so – this is not a false alarm. As an agency we have closed programs, made reductions in others, reduced staff, and reduced benefits due to the short sighted approach to state budgeting and policy. As we work on plans for the future of the agency and providing services that meet the needs of those we serve, developing business

Our Mission: Oak Hill sets the standard, partnering with people with disabilities, to provide services and solutions promoting independence, education, health and dignity.

strategies to succeed in this environment is next to impossible and this will ultimately lead to dire consequences

for the total community service system; this is the antithesis to what I hope you are trying to accomplish.

Connecticut's community nonprofits deliver the state's core services, yet we are forced to operate on repeated rescissions and chronic underfunding. Doing more with less, we've been doing that, and it is not a sustainable option. The individuals served by community nonprofits are those who strive every day to increase or regain their independence. The services they receive are life-sustaining. They are also our children and parents, our neighbors and friends. Without community services, they will have no place to go to meet their needs, or they may be forced into costlier alternatives such as emergency departments, hospitals or even jails.

In addition, I would like to comment on some of Governor Malloy's specific proposals. I am pleased that the proposal before you includes conversion of certain mental health and substance abuse services, the annualization of the conversion of 40 community living arrangements, and some other services in the Department of Developmental Services but, there exist additional opportunities for the state to shift more services into the community to save more money (\$1.3 billion over 5 years, attached), and reinvest some of those savings into raising rates and improving services for everyone. I am pleased that the Governor's budget proposal includes funding of \$3.3 million in FY18 and \$3.8 million in FY19 to support the work of the ID Partnership and to begin to address the waiting list and create new programs in the continuum of care. I am concerned that the funding provided to serve people who are aging out of the care of DCF and local school systems is not adequate to meet the needs, and about proposed cut of \$3.7 million in each fiscal year from the Behavioral Services Program which would reduce critical services offered to children who are eligible for DDS services with complex needs.

Please know that as you propose to do things like continuing to raise the minimum wage, I hope you take a long look in the mirror. You have not raised our rates in 10 years and counting; without adequate rates, no rate setting methodology can fix the problems in the DDS Community Residential Services programs. Without adequate rates, the waiting list cannot be reduced. Without adequate rates we cannot pay our employees livable wages. Under the current system, there is not adequate funding to address either drastic underpayment to all providers or the waiting list, and there are solutions you can choose. The budget would convert Residential Community Living Arrangements from Public to Private Nonprofits. We support this shift however, again, the rates must cover the costs of the required services in order for services to be delivered effectively and to pay adequate wages.

In the past, the legislature has proven that it takes the needs and well-being of CT residents seriously. Please continue to support children and families in this midterm adjustment, both as the 2016 session draws to a close, and in future discussions while creating a new biennial budget. Stable fiscal planning, including responsible tax policy and spending priorities is essential to fixing the problem. Failing to invest now in health and human services means that we as a state will pay much more down the road. **Connecticut needs to invest in its priorities. Community providers improve and save lives. They also create jobs, strengthen the economy and the safety and security of our communities.**

Thank you for your time and consideration of these important issues. I am happy to answer your questions or provide additional information.

We're here to offer solutions.

Nonprofits provide the highest quality services

- We already provide high quality services to half a million people in CT. We deliver the exact same services as the State at the same or higher quality and a dramatically lower cost. This should not be made into a union issue; we have the same union.
- Study after study has shown the high quality of care and support provided in the nonprofit sector. Tens of thousands of professionals are employed in nonprofits working every day to improve CT's quality of life.

We're part of the solution to the State's budget crisis.

- The Governor has already made this suggestion and we are supporting and hoping to push it even further. The Legislature and the Governor can avoid devastating cuts to vital human services by moving state-operated programs into the community nonprofit sector. We estimate that Connecticut could save \$1.3 billion over the next five years by moving just two specific service-types into the nonprofit sector.
- We compared the average cost per client for state-operated residential services in the DDS system with the average cost for nonprofit provider residential services.
 - The cost difference for public-private clients, based on this DDS supplied data for FY13 and FY14, is \$169,000 per person per year.
 - There are currently 1,584 people served in the state-operated DDS residential services system.
 - If all residential care for people with Intellectual and Developmental Disabilities were moved to the nonprofit sector over the next three years, we estimate that Connecticut would save \$.75 billion by the fifth year of implementation.
- We also compared the average cost per client for state-run Local Mental Health Authority services in DMHAS, compared to the average cost for nonprofit provider LMHA services.
 - The cost difference for public vs. nonprofit client was \$4,000 per person per year in FY16.
 - There are currently 13,962 people served in the state-operated LMHA system.

- If all Local Mental Health Authority services were moved to the nonprofit sector over the next three years, we estimate that Connecticut would save \$408 million by the fifth year of implementation.
- This is the tip of the iceberg. There are many more services that could be moved and savings could be even greater if Connecticut embraced these structural changes. For example, we believe that changes in the way in which DCF provides some of its foster care changes and additional changes being considered as part of the Governor's "second-chance society" initiative can save millions of dollars on top of these.

The alternative is devastating cuts.

- With a projected budget deficit of \$1.5 billion for the next fiscal year, the alternative to creating savings by delivering services through community nonprofits is devastating cuts.
- You heard from Andrea and Luis about what the effects of cuts will be on providers, our staff and most importantly, the people we serve every day.
- With half of the State budget tied up in "fixed costs," we fear that history will repeat itself again, and nonprofit human services providers and consumers will bear the brunt of the budget deficit.

The choice is clear: provide more services by moving service-delivery to the nonprofit sector while helping solve the budget crisis or cut services to thousands of people across Connecticut and keep the status quo.



Conversions: Public Sector to Private Provider

Conversions: State-run LMHAs to Private Providers

<i>Three Year Phase-In</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Clients	4,654	9,308	13,962	13,962	13,962
Yearly Savings	\$34,011,012	\$68,022,025	\$102,033,037	\$102,033,037	\$102,033,037
Cumulative Savings					\$408,132,148

Conversions: State-run DDS Facilities to Private Providers

<i>Three Year Phase-In</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Clients	296	592	888	888	888
Yearly Savings	\$49,993,240	\$100,042,843	\$150,092,446	\$150,092,446	\$150,092,446
Cumulative Savings					\$600,313,420

Conversions: State Agency Caseworkers to Community Caseworkers

<i>Three Year Phase-In</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Caseworkers	133	266	400	400	400
Yearly Savings	\$4,000,000	\$7,990,000	\$12,010,000	\$12,010,000	\$12,010,000
Cumulative Savings					\$48,020,000

Conversions: State Overtime Reductions

Three Year Phase-In	Year 1	Year 2	Year 3	Year 4	Year 5
Yearly Savings	\$9,333,333	\$18,666,667	\$28,000,000	\$28,000,000	\$28,000,000
Cumulative Savings					\$112,000,000

Conversions: Additional Reductions

Three Year Phase-In	Year 1	Year 2	Year 3	Year 4	Year 5
Additional Conversions to Community Providers	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
Cumulative Savings					\$75,000,000

Assumptions on the Conversion Cost Estimates

The cost estimates for DDS and DMHAS conversion from state-operated to nonprofits are based upon the differential in cost estimated from financial data related to costs associated with state personnel compared to that of nonprofit provider funding for similar services.

For DDS, the average cost per client for state-run residential services was compared to average cost for nonprofit provider residential services. The cost difference for public-private clients is \$169,000 per year. The difference is based upon DDS supplied cost comparison for FY13 and FY14. The Alliance projects total savings in the DDS system to be approximately \$600 million over five years.

For DMHAS, the average cost per client for state-run Local Mental Health Authority services was compared to average cost for nonprofit provider Local Mental Health Authority services. The cost difference for public vs nonprofit clients was \$7,300 per client per year in FY16. The Alliance collected Medicaid billing data and client counts for all seven nonprofit Local Mental Health Authorities and compared that with the personnel costs and client counts of the six state-operated LMHAs to calculate the cost differential. The Alliance projects total savings in the DMHAS system to be approximately \$408 million over five years.

In addition, the Alliance calculated a 50 percent reduction in overtime for 3 state agencies, DMHAS, DCF, and DDS, as well as converting state case management services to community case managers currently doing the same functions for substantial savings over 5 years. Finally, community providers are identifying additional state services that they are providing which, if done by their organizations, will also result in further savings to the state budget.

Total savings are calculated based on converting state-operated facilities and services to nonprofit community providers over a period covering five state budgets. The Alliance has based the calculations on a three-year transition.

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